

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7379

BILL NUMBER: SB 548

NOTE PREPARED: Jan 12, 2015

BILL AMENDED:

SUBJECT: Designated Wild Areas.

FIRST AUTHOR: Sen. Stoops

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that 13 specified areas within certain state forests are designated wild areas. The bill specifies certain activities that are prohibited or allowed within a designated wild area. It also establishes responsibilities for the Department of Natural Resources (DNR) and divisions that manage designated wild areas.

Effective Date: July 1, 2015.

Explanation of State Expenditures: The bill would result in a reduction in sales-related expenditures of approximately \$100,000 annually by the Department of Natural Resources for development of areas to be harvested in order to maintain access to the areas in a manner that would allow for motorized access, commercial logging, or commercial activity. Currently, these expenditures are estimated to be 8% of the gross sale and are covered by the sale of the timber assets on the land.

Explanation of State Revenues: The DNR has estimated the total value of the standing timber on the entire 36,820 acres included in the 13 defined wild areas at \$133.3 M, with the potential for annual gross timber sales of \$6.6 M if the tracts are harvested on a 20-year cycle. However, if as with the most recent sale, the standing timber is selectively harvested at the rate of 18% over a 20-year cycle, the annual net sales would be expected to be about \$1.1 M. If 8% of the sale is used to develop access, the annual net state income would be about \$0.9 M.

Property Description	Wild Acres	Timber Value Net of 8% Development	15% County Revenue	85% State Revenue
Cataract WA, Owen-Putnam	1,680	6,224,348	933,652	5,290,696
Cold Friday WA, Harrison-Crawford	3,950	11,977,264	1,796,590	10,180,674
Hellbender WA, Harrison Crawford	2,460	7,459,258	1,118,889	6,340,369
Knobstone WA, Clark	5,680	18,260,337	2,739,051	15,521,286
Leota WA, Clark	3,450	11,091,226	1,663,684	9,427,542
Low Gap WA, Morgan-Monroe	3,750	12,348,999	1,852,350	10,496,649
Miller Ridge WA, Yellowwood	2,330	8,319,076	1,247,861	7,071,215
Mossop Ridge WA, Yellowwood	2,080	7,426,741	1,113,971	6,312,500
Orchard Ridge WA, Jackson-Washington	1,270	4,243,711	636,557	3,607,154
Scarce-O'-Fat WA, Yellowwood	3,680	13,139,141	1,970,871	11,168,270
Siberia WA, Ferdinand	990	3,805,741	570,861	3,234,880
Spurgeon Hollow WA, Jackson-Washington	4,000	13,366,018	2,004,903	11,361,115
Starve Hollow WA, Jackson-Washington	1,500	5,012,125	751,839	4,260,418
Total	36,820	\$ 122,677,388	\$ 18,401,608	\$ 104,275,780
Annual Value on a 20-Year Harvest Cycle		\$ 6,133,869	\$ 920,080	\$ 5,213,789
18% Selective 20-Year Harvest Cycle		\$ 1,104,096	\$ 165,614	\$ 938,482

Additional Information: IC 14-23-4-5 provides that 85% of the net receipts from state timber sales must be deposited in the State Forestry Fund; 15% must be deposited in the general fund of the county in which the state forest is located. All distributions must be made after deducting development costs incurred by the DNR. Development costs are estimated to be 8%.

In Indiana, over 3.8 million acres of forests are privately owned. The state owns 150,000 acres. The 13 wild areas defined in the bill consist of about 36,820 acres, or about 25% of the total acreage. In FY 2014, state forest timber sales yielded approximately \$2.9 M for the State Forestry Fund.

The net income attributable to a July 2013 sale of select timber on 129 acres in the Morgan-Monroe/Yellowwood backcountry was \$45,360. From the sale proceeds, \$38,500 was deposited in the State Forestry Fund. (The total sale price was \$51,556.) The DNR estimate would value the standing timber on this tract at \$291,000. The selective harvest of timber was for approximately 18% of the board feet of standing timber on the tract.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties would lose revenue associated with the sale of timber located within the defined wild areas located within the county, but would continue to receive revenue from timber sales on state lands not located in the defined 13 wild areas. The bill would likely have a small effect on local revenues. Counties would annually lose collectively about \$165,000 if the annual net timber sales are \$1.1 M, the actual loss depending on the extent to which standing timber would be harvested in the 13 designated wild areas.

Each volunteer fire department that has a cooperative lease agreement or contract with the Division of Forestry located within a county that receives timber sale proceeds, is required to receive a maximum annual distribution of \$1,000, unless the county legislative body authorizes a greater distribution. If the county legislative body authorizes a higher distribution, 50% of the county's timber sale proceeds are required to be distributed equally to the qualified volunteer fire departments within the county.

State Agencies Affected: Department of Natural Resources.

Local Agencies Affected: Counties and volunteer fire departments that have an agreement with DNR.

Information Sources: Department of Natural Resources. "Indiana Handbook of Taxes, Revenues, and Appropriations", Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, FY 2014.

Fiscal Analyst: Kathy Norris, 317-234-1360.